

## **Mid-Atlantic States Gain Regional Business Analysis of FirstNet**

Mission Critical Communications   Comments

September 21, 2015

A high-level business analysis of the nationwide public-safety broadband network for the five states comprising the Mid-Atlantic Consortium for Interoperable Nationwide Advanced Communications (MACINAC) found a sustainable business model if state and local government users join public-safety users on the network in the region.

However, with only public-safety users on the network, MACINAC would lose more than \$7.5 million a year using current assumptions and information from the First Responder Network Authority (FirstNet).

The business analysis was referenced in MACINAC's comments to FirstNet's draft request for proposals (RFP) and special notice. The analysis was constructed near the end of 2014 and is a "mathematical structure incorporating data points important for determining theoretical viability of an opt-in public-private partnership approach." The analysis is important because FirstNet has yet to release a business model and the independent analysis offers insights into the financial viability of the network.

MACINAC comprises the five states of Delaware, West Virginia, Maryland, Pennsylvania and Virginia, although the study also includes the District of Columbia. The analysis found low user adoption negatively impacts the revenue contribution in the early years to support the FirstNet radio access network (RAN), construction and delivery of services. A five-year adoption level for the six areas compared just public-safety users with public-safety users and state and local government subscribers.

MACINAC's user numbers in a five-year adoption model are estimated at 134,359 public-safety subscribers and a total of 340,069 subscribers combining the public safety with state and local employees. Using the estimated five-year subscriber number numbers, the analysis estimated about \$72.5 million in annual revenue from just public-safety users and a total of \$183.6 million in revenue when state and local users are added.

The analysis adds about \$215 million from other partner revenue, such as roaming and mobile virtual network operation (MVNO) users for a total of \$398.8 million in revenue with all users and \$287.8 million in revenue with just public-safety users and the extra partner revenue.

The model assumes 100 percent coverage, covering all of the six jurisdictions' 119,995 square miles. The region estimated that it would receive nearly \$650 million for its initial RAN construction based on the percentage of State and Local Implementation Grant Program (SLIGP) funding — 9.42 percent — that the region received. The analysis estimated initial MACINAC RAN construction costs at nearly \$623 million. The \$623 million would not cover technology refresh or fill-in coverage construction.

“More detailed assumptions and analysis are needed to determine total capital expenditure requirements,” the document said.

Operating expenses (opex) were similar for public-safety-only users and for public safety combined with state and local government subscribers at about \$295 million. The total opex costs included RAN site opex; FirstNet user fees; total sales and general administration (SGA); and network operations, administration, maintenance and provisioning (OAM&P).

In the opex summary, the analysis shows the public-safety-only use case losing \$7.5 million annually and the public safety plus state and local use case with a balance of \$103.7 million annually.

The report said the analysis demonstrates that public-safety coverage goals are achievable. However, the assumptions driving the model require further rigorous analysis, vetting and consensus. The business model was developed free because development of alternative business models is not an allowable expense under SLIGP.

“The analysis that forms the backbone of the MACINAC business model was provided to the MACINAC initiative by way of a research cooperation agreement with private industry wireless broadband subject matter experts — provided at no cost to the MACINAC states,” said Mark Grubb, the Delaware single point of contact (SPOC). “We feel it’s important to have independent analysis to help our governors better understand what opting in really means.”

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